GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:3748
ANSWERED ON:18.12.2006
PRODUCTION COST OF FERTILIZERS
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Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether increase in the price of fuel has affected the cost of production of fertilizers;

(b) if so, the extent to which the fertilizer industry had been affected as a result thereof; and

(c) the measures taken/proposed to be taken by the Union Government to reduce the production cost of fertilizers in the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI B.K. HANDIQUE)

(a) Yes, Sir. The cost of production of urea is, among other things, dependant on the cost of feedstock and fuel. Presently, for gas based units, cost of feedstock accounts for 60% of the total cost of production, whereas for naphtha and Fuel Oil /Low Sulphur Heavy Stock (FO/LSHS) based units, it is about 75%. As for decontrolled phosphatic and potassic fertilizers, normative delivered cost of the P&K fertilizers (except SSP) covered under the Concession Scheme is worked out as per the recommendations of Tariff Commission (TC). The normative delivered cost of fertilizers is updated with reference to the imported raw material/intermediates as per the formulae recommended by TC.

(b) Under New Pricing Scheme (NPS) for urea units, the cost of feedstock and fuel is reimbursed to urea manufacturing units subject to pre-set norms. Thus, any increase in the cost of feedstock and fuel is borne by the Government in the form of higher subsidy outgo and the fertilizer industry is not affected.

(c) As the Natural Gas/Liquified Natural Gas (NG/LNG) is cheaper and more energy efficient feedstock as compared to naphtha and FO/LSHS, Government has formulated a policy for conversion of non-gas based units to NG/LNG. Further, the Government has formulated a policy which provides that new and expansion projects of urea will be based on NG/LNG only. The Government is also implementing a policy of rewarding energy efficient urea units.

For decontrolled fertilizers, Government is encouraging manufacturers of phosphatic fertilizers to explore the possibilities of setting up joint ventures abroad in phosphatic & potassic field to ensure uninterrupted supply of raw material/intermediates on long term basis at reasonable price.